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# United States Senate

COMMITTEE ON  
AGRICULTURE, NUTRITION, AND FORESTRY

WASHINGTON, DC 20510-6000

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TOM HARKIN, IOWA  
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The Honorable David M. Walker  
Comptroller General of the United States  
General Accounting Office  
441 G St NW  
Washington, DC 20548

Dear Mr. Walker:

In the last several years, the U.S. price for natural gas has exhibited extreme volatility, far greater than any other widely traded commodity. In addition, the price has recently spiked to double last year's level, largely as a result of production disruptions in the Gulf of Mexico from hurricanes Katrina and Rita. Current wholesale natural gas prices are more than four times higher than they were only 10 years ago.

While a great deal of attention has been paid to concerns over price spikes for U.S. gasoline consumers and why they persist over time, we believe that equal attention should be paid to the price volatility and record high prices that have persisted in the U.S. natural gas market over the last several years. We ask that the Government Accountability Office undertake a study of the relevant questions on this matter.

Please conduct a historical comparison of price volatility in the U.S. natural gas market over the last several decades, and evaluate the economic impact of recent price volatility, broken down by sectors, including fertilizer manufacturing as a separate category. This section should include looking at the impact on consumers of natural gas prices for home heating purposes. In addition, we ask that you report on what share of U.S. users of natural gas hedge their purchases in some way, also broken out by sector, in order to ascertain the benefits such hedging may provide.

Some market analysts have suggested that speculators have played an increasingly prominent role in U.S. natural gas markets, and that their activity has exacerbated the degree of volatility in the market. In order to evaluate this question, we ask you to provide information on the share of contracts traded by those without a tangible interest in taking delivery of the product, both recently and historically, determine whether the speculators' positions in the market are markedly different than other participants, and whether their participation exacerbated volatility.

Finally, we ask you assess the policy implications of the findings of your study, including possible changes in regulations governing market behavior and public reporting of natural gas prices, supply and demand. Are the regulatory authorities of the agencies

responsible for oversight and data gathering, collection and dissemination, namely the Commodity Futures Trading Commission, Federal Trade Commission and Energy Information Administration, being effectively utilized? Are these authorities sufficient given the crisis at hand?

Any questions about this request should be directed to Lloyd Ritter or Stephanie Mercier of the Agriculture Committee staff, or James Nygren of Senator Ben Nelson's office.

Sincerely,



Tom Harkin  
Ranking Member



Ben Nelson  
United States Senator